Effect of the Block Grant on Other Programs

Replacing AFDC with a block grant may affect receipt of other federal benefits, including food stamps, foster care, and Medicaid.

Food Stamp Program. CBO estimates that enacting the block grant for family support will result in families receiving lower average cash payments and, consequently, higher Food Stamp benefits. Each dollar a participating family loses in cash increases its Food Stamp benefits by about 30 cents. CBO estimates that the new law will reduce the income of AFDC families by $2.3 billion in 2002, generating a cost in the Food Stamp program in that year of nearly $700 million. By 2002, the block grant amount will be 10 percent lower than projected federal spending on AFDC and related programs. Therefore, for purposes of determining the costs of the Food Stamp program, CBO assumes that by 2002, cash benefits funded by the block grant will be 10 percent lower than under prior law. CBO also assumes that by 2002, states will spend, on average, 15 percent less of their own funds on cash benefits than they would have spent under prior law. Should states decide to spend more or less than that amount, the costs of the Food Stamp program will be smaller or greater than the estimate.

Foster Care Program. Although the act does not directly amend foster care maintenance payments, which will remain an open-ended entitlement with state expenditures matched by the federal government, the act could affect the amount of spending on the foster care program. By retaining the foster care benefits as a matched entitlement, the act creates an incentive for states to shift AFDC children who are also eligible for foster care benefits into the foster care program. AFDC administrative data for 1993 suggest that roughly 500,000 children, or 5 percent of all children on AFDC, fall into that category because they live in a household without a parent. CBO assumes that a number of legal and financial barriers will prevent states from transferring a large share of such children and estimates that states will collect an additional $10 million in foster care payments in 1999, rising to $45 million in 2002.

Medicaid Program. Under the act, categorical eligibility for Medicaid families that meet the eligibility criteria for AFDC is generally the same as under prior law with some modifications. States must use AFDC income and resource standards and methodologies in effect on July 16, 1996, to determine Medicaid eligibility. As under prior law, states have the option to lower income standards to the May 1, 1988, levels or to increase income standards; however, those increases are limited to the annual increase in the consumer price index (CPI). In a departure from prior law, states may increase resource standards (by no more than the annual increase in the

CPI) and link eligibility to compliance with work requirements under the block grant. Overall, the block grant will have no significant budgetary effect on the Medicaid program.

TITLE II: SUPPLEMENTAL SECURITY INCOME

The bulk of the savings in title II stems from imposing tighter eligibility criteria for children seeking disability benefits under the Supplemental Security Income (SSI) program. Title II also makes a variety of other changes. It reduces the amount of the benefit in the first month for new SSI applicants, requires the disbursement of large retroactive payments in installments rather than in a single lump, and offers payments to prison officials who help to identify ineligible SSI recipients in their institution. Net savings, which reflect additional spending in the Food Stamp program, are estimated to equal \$2.0 billion in 2002 and \$8.6 billion over the 1997-2002 period (see Table 2).

Disabled Children

The SSI program, which is run by the Social Security Administration (SSA), pays benefits to certain low-income aged and disabled people. The maximum benefit for an individual will be \$484 a month in 1997. The act revamps the SSI program for disabled children.

Previously, low-income children could qualify for SSI benefits in two ways: their condition could match one of the medical listings (a catalog of specific impairments with accompanying clinical findings); or they could be evaluated under an individualized functional assessment (IFA) that determined whether an unlisted impairment seriously limited a child's ability to perform activities normal for his or her age. Both methods were spelled out in the regulations. Until the Supreme Court's 1990 decision in *Sullivan v. Zebley*, the medical listings were the sole path to eligibility for children. Adults, in contrast, could receive an assessment of their functional and vocational capacities even if they did not meet the listings. The Court ruled that sole reliance on the listings did not satisfy the law's requirement to gauge whether children's disorders were of "comparable severity" to impairments that would disable adults.

The act eliminates childhood IFAs and their statutory underpinning—the "comparable severity" rule—as a basis for receiving benefits. Many children on the rolls as a result of an IFA (roughly a quarter of the children now on SSI) will have their benefits terminated, and future awards based on an IFA will be barred. Thus, the program will be restricted to those who meet or equal the listings. The act also

TABLE 2. FEDERAL BUDGETARY EFFECTS OF CHANGES IN THE SUPPLEMENTAL SECURITY INCOME PROGRAM IN TITLE II OF P.L. 104-193 (By fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
			By Provision					
SSI Benefits to Certain Children								
Supplemental Security Income								
Budget authority	a	-125	-925	-1,450	-1,800	-1,675	-2,000	-7,975
Outlays	a	-125	-925	-1,450	-1,800	-1,675	-2,000	-7,975
Food Stamp program b/								
Budget authority	a	20	130	210	240	265	290	1,155
Outlays	a	20	130	210	240	265	290	1,155
Medicaid								
Budget authority	a	-5	-25	-40	-45	-55	-60	-230
Outlays	a	-5	-25	-40	-45	-55	-60	-230
Subtotal								
Budget authority	a	-110	-820	-1,280	-1,605	-1,465	-1,770	-7,050
Outlays	a	-110	-820	-1,280	-1,605	-1,465	-1,770	-7,050
Reduction in SSI Benefits to Certain Hospitalized Children with Private Insurance								
Supplemental Security Income								
Budget authority	0	-40	-55	-60	-70	-60	-65	-350
Outlays	0	-40	-55	-60	-70	-60	-65	-350
End Payment of Prorated Benefits in the Month of Application								
Supplemental Security Income								
Budget authority	a	-55	-130	-150	-160	-165	-175	-835
Outlays	a	-55	-130	-150	-160	-165	-175	-835
Pay Large Retroactive Benefit Amounts in Installments								
Supplemental Security Income								
Budget authority	0	-200	-15	-15	-15	-15	-15	-275
Outlays	0	-200	-15	-15	-15	-15	-15	-275
Make Payments to Penal Institutions That Report Ineligible SSI Recipients								
OASDI (Benefits saved)								
Budget authority	0	-5	-10	-15	-15	-20	-20	-85
Outlays	0	-5	-10	-15	-15	-20	-20	-85
SSI (Benefits saved)								
Budget authority	0	a	-5	-10	-10	-10	-10	-45
Outlays	0	a	-5	-10	-10	-10	-10	-45
SSI (Payments to prison officials)								
Budget authority	0	2	4	5	6	6	7	30
Outlays	0	2	4	5	6	6	7	30
Subtotal								
Budget authority	0	-3	-11	-20	-19	-24	-23	-100
Outlays	0	-3	-11	-20	-19	-24	-23	-100

(Continued)

TABLE 2. Continued

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
			By Account					
Supplemental Security Income								
Budget authority	a	-418	-1,126	-1,680	-2,049	-1,919	-2,258	-9,450
Outlays	a	-418	-1,126	-1,680	-2,049	-1,919	-2,258	-9,450
Food Stamp Program b/								
Budget authority	a	20	130	210	240	265	290	1,155
Outlays	a	20	130	210	240	265	290	1,155
Medicaid								
Budget authority	a	-5	-25	-40	-45	-55	-60	-230
Outlays	a	-5	-25	-40	-45	-55	-60	-230
Old-Age, Survivors, and Disability Insurance								
Budget authority	0	-5	-10	-15	-15	-20	-20	-85
Outlays	0	-5	-10	-15	-15	-20	-20	-85
			Total					
All Provisions/ All Accounts								
Budget authority	a	-408	-1,031	-1,525	-1,869	-1,729	-2,048	-8,610
Outlays	a	-408	-1,031	-1,525	-1,869	-1,729	-2,048	-8,610

SOURCE: Congressional Budget Office.

NOTE: SSI = Supplemental Security Income; OASDI = Old-Age, Survivors, and Disability Insurance.

a. Less than $500,000.
b. Includes interactions with other provisions pertaining to the Food Stamp program.

removes the reference to maladaptive behavior—behavior that is destructive to oneself, others, property, or animals—from the personal/behavioral domain of the medical regulations, thereby barring its consideration as a basis for award.

Even as it repeals the "comparable severity" language, the act creates a new statutory definition of childhood disability. Section 211 states that a child is considered disabled if he or she has "a medically determinable physical or mental impairment, which results in marked and severe functional limitations, and which can be expected to result in death or which has lasted or can be expected to last for . . . 12 months." That language is intended to preserve SSI eligibility for some of the most severely impaired children who previously qualified by way of an IFA because they did not happen to match one of the medical listings.

CBO estimated the savings from these changes by judging how many child recipients would be likely to qualify under the old and new criteria. CBO relied extensively on SSA program data and on analyses conducted by the General Accounting Office and the Inspector General of the Department of Health and Human Services. Approximately 1.0 million children now collect SSI benefits, and CBO projects that the number would have reached 1.4 million in 2002 under prior law. CBO assumed that most children who qualify through an IFA will be rendered ineligible under the new criteria—specifically, those who fail to rate a "marked" or "severe" impairment in at least two areas of functioning. CBO also assumed that the provisions on maladaptive behavior will bar a small percentage of children from eligibility for benefits. Overall, an estimated 22 percent of children who would have collected benefits under prior law will be rendered ineligible.

To estimate the savings in cash benefits relative to prior law, CBO multiplied the number of children assumed to lose benefits by the average benefit. That average benefit was about $430 a month in December 1995 and, because it is indexed to inflation, will grow to an estimated $528 in 2002. New awards will be affected immediately. Children already on the rolls are to be reviewed under the new criteria by September 1997. Savings in cash benefits total $0.1 billion in 1997 and $2.0 billion in 2002.

The cutbacks in children's SSI benefits will affect spending in two other federal programs. Food Stamp outlays will automatically increase to replace a portion of the cash income that the children's families will lose. The extra Food Stamp costs exceed $0.2 billion a year after 1998. Eligibility for SSI benefits generally confers eligibility for Medicaid as well. Once the reviews of children currently on the SSI rolls are finished, the tighter SSI criteria will yield savings in Medicaid of roughly $40 million to $60 million a year. The reason those savings are relatively small is that most of the children dropped from SSI will still qualify for Medicaid based on meeting AFDC criteria or because of their poverty status. About half of the disabled children losing SSI benefits will probably seek TANF benefits. Because TANF is a fixed block grant to the states, however, no extra federal spending would result in that program.

The act makes several other changes to the SSI program for disabled children. One provision sets the benefit at $30 a month for children who are hospitalized and whose bills are partly or fully covered by private insurance. (A similar provision already applied to SSI recipients who were hospitalized and whose care was covered by Medicaid.) CBO assumes that the provision will trim benefits for about 10,000 children in a typical month, with savings of $55 million to $70 million a year after 1997. The act also makes a number of changes in the responsibility of representative payees (people who administer benefits for children or other recipients who are incapable of managing funds), but no significant budgetary effects will result from any of those changes. The act also mandates several studies of disability issues.

The Social Security Administration will face very heavy one-time costs for reviewing its current caseload of disabled children under the new, tighter criteria. According to CBO estimates, SSA will have to collect detailed medical and functional information for 300,000 to 400,000 disabled children on the rolls at enactment, at a total cost of about $300 million. In addition, under restrictions contained in title IV, SSA will have to review the continued eligibility of about 1.4 million recipients who are recorded as aliens or whose citizenship is unknown. Most of the cost will be incurred in 1997 and early 1998. For that reason, the act allows an adjustment to the discretionary spending caps in the Balanced Budget Act to cover SSA's one-time costs. Specifically, the caps will be increased by up to $150 million in 1997 and $100 million in 1998 if the Congress passes appropriations earmarked for those reviews. Because that total adjustment of $250 million hinges on future appropriation action, CBO does not include it as a cost in this act.

Prorated Benefits in the Month of Application

More than 800,000 people are newly awarded SSI benefits every year. Under prior law, they eventually received a prorated benefit for the month in which they applied. A person who applied on the 15th of the month, for example, could receive two weeks of benefits for that month. (The typical applicant did not get that money immediately because SSA might take several months to process the application.) Under the act, benefits will begin on the first day of the month following the date of application. CBO estimated the savings by multiplying the annual volume of awards by an assumed loss of two weeks of benefits for the average person affected. The provision affects only applications filed after enactment, and savings will equal $150 million a year or more when it is fully effective.

Installment Payments of Retroactive Benefits

Another provision of the act changes the method for disbursing large amounts of retroactive benefits. Those benefits occasionally amount to thousands of dollars if the period they cover is a long one. Under prior law, retroactive benefits were paid all at once. Under the act, any retroactive payment that exceeds 12 times the maximum monthly benefit—about $5,600, in 1996 dollars—will be paid in installments at six-month intervals, with each installment equaling up to 12 times the maximum benefit. Exemptions will be granted to recipients suffering from terminal illnesses or other special hardships. The vast majority of recipients will still get their retroactive benefits in a single check, but some (chiefly those whose awards are decided after long appeals) will get them in two or three installments. Most of the savings from this shift will occur in the first year. Based on the relatively small number of people who receive very large retroactive payments, CBO estimates that about $200 million of those payments will shift from 1997 into 1998. Savings after that will be much smaller.

Enforcement of Restrictions on Prisoners' Benefits

The law sets strict limits on payment of SSI benefits to incarcerated people and somewhat milder limits on such payments in the Old-Age, Survivors, and Disability Insurance (OASDI) program. SSI recipients who are in prison for a full month—regardless of whether they are convicted—and OASDI recipients who have been convicted of an offense carrying a maximum sentence of one year or more are to have their benefits suspended. Those who are convicted of lesser crimes, and those who are in jail while awaiting trial, may still collect OASDI benefits. Up to now, those provisions have been enforced chiefly by an exchange of computerized data between the Social Security Administration and the Federal Bureau of Prisons, state prisons, and some county jails. According to SSA's Office of the Inspector General, such agreements cover roughly 73 percent of inmates—all federal and state prisoners but only about 15 percent of county prisoners. Those agreements were voluntary and involved no payments to the institutions.

This act provides for compensation to correctional institutions that report data to SSA. Correctional institutions will receive $400 for reporting information to SSA that leads to identifying an ineligible SSI recipient within 30 days of incarceration, and $200 for reporting within 30 to 90 days.

Information on prisoners who collect benefits is poor. Inmates may know or suspect that their benefits are illegal and thus hide them; they may misreport such crucial identifying information as Social Security numbers. Based on a recent report by SSA's Inspector General, CBO assumed that between 4 percent and 5 percent of inmates are collecting OASDI or SSI when they enter prison.[3] CBO assumed that the recipient population includes roughly equal numbers of OASDI and SSI recipients. At any one time, about 70 percent of prisoners are in state or federal prisons; the rest are in county jails, where spells of incarceration are much shorter and turnover rates are very high.

The provision will have two principal budgetary effects. First, the payments to prison officials will spark greater participation in matching agreements. CBO assumed that state prison officials, who now often let matching agreements lapse for several months at renewal, will renew them more promptly; that a majority of counties will sign up; and that data will be submitted with a shorter lag. From a budgetary standpoint, those changes will lead to savings in benefit payments and offsetting costs for the payments to penal institutions. The act provides that payments be made only to institutions that assist in tagging ineligible SSI recipients. Nevertheless, in the course of matching Social Security numbers and other identifying information, SSA will find that some of the inmates collect OASDI. Therefore, benefit savings will occur in both SSI and OASDI. Second, the provision will add to the workload of SSA. Even if data are submitted electronically, SSA must follow up manually when it appears that an inmate may be receiving benefits. In many cases, SSA may find that the Social Security number is inaccurate or the inmate has already left the jail, leading to little or no savings in benefits from that particular investigation.

Because the provision first applies to prisoners whose period of incarceration begins seven months after enactment, CBO estimates that the provision will yield little benefit savings in 1997. Thereafter, benefit savings will take another year or two to be fully realized as word spreads among state and local correctional officials and as the officials become more attuned to the specific information (such as accurate Social Security numbers) they need to provide. CBO assumed that SSA will start making payments (averaging $300) fairly soon to jurisdictions that already have matching agreements, and later to new jurisdictions that sign up. Over the 1997-2002 period, CBO estimated that benefit savings will equal $130 million and that payments to jurisdictions will cost $30 million, for a net savings of $100 million; OASDI accounts for $85 million of those savings. SSA's extra administrative costs, which in contrast to those two items require a Congressional appropriation, will be about $70 million.

3. Social Security Administration, Office of the Inspector General, *Effectiveness in Obtaining Records to Identify Prisoners* (May 1996), Appendix A.

TITLE III: CHILD SUPPORT ENFORCEMENT

Title III changes many aspects of the operation and financing of the federal and state child support enforcement system. Relative to prior law, those changes cost an estimated $25 million in 1997 and $74 million in 2002 (see Table 3). The key provisions of title III mandate the use of new enforcement techniques with a potential to increase collections, eliminate a $50 payment to welfare recipients for whom child support is collected, allow former recipients of public assistance to keep a greater share of their child support collections, and authorize new spending on automated systems.

New Enforcement Techniques

Based on reports on the performance of various enforcement strategies at the state level, CBO estimates that child support collections received for families on cash assistance in 2002 will increase under the act by roughly 18 percent over previous projections (from $3.6 billion to $4.2 billion). Most of the improvement will result from creating a new-hire registry (designed to speed the receipt of earnings information on noncustodial parents) and provisions that will expedite the process by which states seize the assets of noncustodial parents who are delinquent in their child support payments. Some states have already applied the proposed enforcement techniques, thereby reducing the potential for further improving collections. The additional collections will result in federal savings of roughly $320 million in 2002 through shared child support collections and reduced spending in the Food Stamp and Medicaid programs.

Lost AFDC Collections

In a provision that is similar to prior law, the act requires that states share with the federal government any child support collected on behalf of families who receive cash assistance through the Temporary Assistance for Needy Families block grant. CBO assumed that by 2002, 20 percent of states will have significantly reduced the number of families served under the block grant. That reduction will decrease the federal share of child support collections by an estimated $224 million in 2002. States that reduce the number of families served under the block grant may still provide benefits to those families using their own resources.

Elimination of the $50 Pass-through

Additional federal savings will be generated by eliminating the current $50 pass-through. Under prior law, amounts up to the first $50 in monthly child support collected were paid to the family receiving cash assistance without affecting the level of the welfare benefit. Thus, families for whom noncustodial parents contributed child support received as much as $50 more a month than did otherwise identical families for whom such contributions were not made. Under prior law, eight states paid a supplemental payment ("gap payment") to families on public assistance on whose behalf the state received child support payments. The supplemental payment was based on the amount of the support collected and a standard of need. The act gives those states the option of continuing to provide the additional benefits to families. CBO assumed that states providing half of the supplemental payments will exercise the option. Eliminating the $50 child support pass-through beginning in 1997 but allowing some states to continue making gap payments will increase the federal share of child support collections (net of Food Stamp costs) by $100 million to $165 million annually.

Distribution of Additional Child Support to Former AFDC Recipients

When someone ceases to receive public assistance, states continue to collect and enforce the family's child support order. All amounts of child support collected on time are sent directly to the family. If a state collects past-due child support, however, it may either send the amount to the family or use the collection to reimburse itself and the federal government for past AFDC payments. This provision will require states to share more child support collections with former recipients of public assistance, reducing the amount that the federal and state governments recoup from previous benefit payments. The new distribution rules will phase in starting in 1998, but states can elect to apply them earlier. This provision will cost the federal government an estimated $51 million in 1998 and $150 million in 2002.

Hold States Harmless for Lower Child Support Collections

A hold-harmless provision guarantees each state that its share of child support collections will not fall below the amount it retained in 1995. In general, states will experience increases in child support collections as a result of this act. The new distribution rule that allows former AFDC families to keep more support is the only provision that will reduce the states' share of support collections. However, that share is based on the collections on behalf of families who receive assistance through the TANF block grant. A state in which significantly fewer families are served under

TABLE 3. FEDERAL BUDGETARY EFFECTS OF CHANGES IN THE CHILD SUPPORT ENFORCEMENT PROGRAM IN TITLE III OF P.L. 104-193 (By fiscal year, outlays in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
By Provision								
New Enforcement Techniques								
State directory of new hires								
Family support payments	0	0	-1	-4	-6	-9	-10	-30
Food Stamp program	0	0	-1	-7	-12	-18	-21	-59
Medicaid	0	0	-3	-11	-20	-31	-38	-102
Subtotal	0	0	-5	-22	-38	-58	-70	-192
State laws providing expedited enforcement of child support								
Family support payments	0	0	0	-17	-35	-55	-77	-185
Food Stamp program	0	0	0	-6	-13	-21	-30	-70
Medicaid	0	0	0	-5	-11	-18	-26	-59
Subtotal	0	0	0	-28	-59	-94	-133	-314
State laws concerning paternity								
Family support payments	0	-16	-18	-20	-22	-24	-26	-127
Food Stamp program	0	-3	-3	-4	-4	-4	-5	-23
Medicaid	0	-2	-2	-2	-3	-3	-3	-15
Subtotal	0	-21	-23	-26	-29	-31	-34	-165
Suspend drivers' licenses								
Family support payments	0	-4	-9	-14	-19	-20	-21	-88
Food Stamp program	0	-2	-5	-8	-12	-12	-13	-52
Medicaid	0	-1	-3	-5	-7	-8	-9	-35
Subtotal	0	-8	-17	-27	-38	-41	-43	-175
Adoption of uniform state laws								
Family support payments	0	10	2	-7	-11	-15	-21	-41
Food Stamp program	0	0	-1	-3	-4	-6	-9	-24
Medicaid	0	0	-2	-3	-6	-8	-11	-30
Subtotal	0	10	-1	-13	-21	-30	-41	-95
Total, New Enforcement	0	-19	-46	-115	-185	-254	-322	-940
AFDC Collections Lost as a Result of Reduced Cases Funded by Block Grant								
Family support payments	0	0	29	63	142	200	224	658
Eliminate $50 Pass-through and Exclude Gap Payments from Distribution Rules at States' Option								
Family support payments	0	-222	-236	-260	-285	-311	-336	-1,650
Food Stamp program	0	114	122	139	147	164	171	858
Total	0	-108	-114	-121	-139	-147	-165	-793
Distribute Child Support Arrears to Former AFDC Families First								
Family support payments	0	0	62	69	76	148	183	539
Food Stamp program	0	0	-11	-12	-14	-27	-33	-96
Total	0	0	51	57	63	122	150	442
Hold States Harmless for Lower Collections of Child Support								
Family support payments	0	0	17	29	34	39	29	148
Optional Modification of Support Orders								
Family support payments	0	-5	0	10	15	15	20	55

(Continued)

TABLE 3. Continued

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
				By Provision (Continued)				
Other Provisions with Budgetary Implications								
Automated data processing development								
Family support payments	a	83	91	129	129	8	0	440
Automated data processing operation and maintenance								
Family support payments	0	12	55	52	52	46	40	257
Technical assistance to state programs								
Family support payments	a	48	51	50	48	47	45	290
State obligation to provide services								
Family support payments	0	0	0	3	11	22	39	75
Federal and state reviews and audits								
Family support payments	0	3	3	3	3	3	3	20
Grants to states for visitation								
Family support payments	a	10	10	10	10	10	10	60
Total, Other Provisions	a	156	210	248	254	136	137	1,142
				By Account				
Family Support Payments	a	-81	57	99	142	103	101	421
Food Stamp Program	0	109	100	99	88	76	62	533
Medicaid	0	-3	-9	-27	-46	-68	-88	-242
				Total				
All Provisions/ All Accounts	a	25	148	172	184	110	74	712
Memorandum:								
Family Support Payments (Budget authority)								
Automated data processing development	42	42	91	129	129	8	0	440
Technical assistance to state programs	36	44	47	46	48	47	45	314
Grants to states for visitation	10	10	10	10	10	10	10	70
All other provisions	0	-222	-95	-91	-45	38	45	-369
Total	88	-127	53	95	142	103	101	455

SOURCE: Congressional Budget Office.

NOTE: AFDC = Aid to Families with Dependent Children.

a. Less than $500,000.
b. Budget authority is generally equal to the outlays shown in this table. Exceptions are shown in the memorandum.

the block grant than were served under the AFDC program may experience lower collections. CBO assumed that 20 percent of states will reduce caseloads enough to trigger the hold-harmless provision, at a federal cost of $29 million in 2002.

Optional Modification of Support Orders

Under prior law, a state was required to review the child support orders of recipients of public assistance every three years. If a review showed a significant change in the financial circumstances of a parent, the state adjusted the child support order accordingly. Evaluations of pilot programs testing similar review and modification procedures have found that such reviews raise both the average amount of support orders and the average payment received. The act makes review and modification optional for states unless the family requests such a review. CBO assumed that 40 percent fewer reviews would be performed, resulting in administrative savings of $5 million in 1997 and a cost, reflecting lower collections stemming from lower amounts of support orders, of $20 million by 2002.

Other Provisions with Budgetary Implications

The act also increases federal spending on several other activities including development, operation, and maintenance of automated data processing; technical assistance to states; reviews and audits; and grants to states for visitation. Federal spending for those provisions will total $137 million in 2002 and $1.2 billion over the 1997-2002 period.

TITLE IV: NONCITIZENS

Title IV limits the eligibility of legal aliens for public assistance programs. It explicitly makes most immigrants ineligible for SSI and Food Stamp benefits. Significant savings are also realized in two other programs—Medicaid and the earned income tax credit. Overall, the provisions of title IV are estimated to reduce the deficit by $1.2 billion in 1997 and by $5.1 billion in 2002 (see Table 4).

TABLE 4. FEDERAL BUDGETARY EFFECTS OF RESTRICTING WELFARE AND PUBLIC BENEFITS FOR ALIENS IN TITLE IV OF P.L. 104-193 (By fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
Direct Spending								
Supplemental Security Income								
Budget authority	a	-375	-2,400	-2,600	-2,775	-2,425	-2,700	-13,275
Outlays	a	-375	-2,400	-2,600	-2,775	-2,425	-2,700	-13,275
Food Stamp program b/								
Budget authority	a	-470	-700	-660	-630	-610	-590	-3,660
Outlays	a	-470	-700	-660	-630	-610	-590	-3,660
Medicaid								
Budget authority	a	-105	-615	-815	-1,015	-1,245	-1,495	-5,290
Outlays	a	-105	-615	-815	-1,015	-1,245	-1,495	-5,290
Earned income tax credit								
Budget authority	0	-224	-232	-236	-242	-245	-251	-1,430
Outlays	0	-224	-232	-236	-242	-245	-251	-1,430
Total								
Budget authority	0	-1,174	-3,947	-4,311	-4,662	-4,525	-5,036	-23,655
Outlays	0	-1,174	-3,947	-4,311	-4,662	-4,525	-5,036	-23,655
Revenues								
Earned income tax credit	0	28	29	29	30	30	31	177
Deficit Effect	a	-1,202	-3,976	-4,340	-4,692	-4,555	-5,067	-23,832

SOURCES: Congressional Budget Office; Joint Committee on Taxation.

NOTE: The estimates assume that the proposed exemption for public health programs that provide immunizations will be interpreted to permit continued Medicaid funding for pediatric vaccines.

a. Less than $500,000.

b. Includes interactions with other provisions pertaining to the Food Stamp program.

Supplemental Security Income

In general, legal aliens have been eligible for SSI and other benefits administered by the federal government. Few aliens other than refugees, however, have collected SSI during their first few years in the United States because of a practice known as deeming. Under that practice—which was mandated by law in SSI, the Food Stamp program, and AFDC—the income and resources of a sponsor (usually a relative) who signs an affidavit of financial support on the alien's behalf are treated as if they belong to the alien. Under prior law, the deeming period generally lasted for three years after the alien's arrival; in SSI, it temporarily stood at five years. After the deeming period ended, legal aliens could collect benefits so long as they met the programs' other eligibility criteria.

The act eliminates SSI benefits for most legal aliens. Exceptions are made for groups that together make up about one-quarter of aliens on the SSI rolls: refugees who have been in the country for less than five years, aliens who have a solid work history in the United States (as evidenced by 40 or more quarters of employment covered by Social Security), and veterans or active-duty members of the U.S. military. All other legal aliens now on SSI will be reviewed within a year and removed from the rolls.

CBO based its estimate of savings on administrative records from the SSI program. Those data suggested that noncitizen beneficiaries totaled about 785,000 in December 1995, or 13 percent of all recipients of federal SSI payments in that month, and that their numbers might be expected to climb in the absence of a change in policy. Those records, though, are of uncertain quality. They rarely reflect changes in citizenship status (such as naturalization) that may have occurred since the recipient first began collecting benefits. Keeping citizenship status up to date has not been important for government agencies as long as they have verified that the recipient is legally eligible. That problem is thought to be common to all programs but is particularly acute for SSI, where some beneficiaries identified as aliens have been on the rolls for many years. Recognizing that problem, CBO assumed that 15 percent of SSI beneficiaries recorded as aliens are in fact naturalized citizens.

CBO estimated the number of noncitizen recipients who will be removed from the SSI rolls by projecting the future caseload in the absence of policy change and subtracting the groups (chiefly certain refugees and Social Security recipients) exempted under the act. CBO then assumed that the legislation will prompt some of the remainder to become naturalized. The rest, estimated by CBO at approximately one-half million legal aliens, will be cut from the SSI rolls. Multiplying that number by the average benefit paid to such aliens—assumed to equal nearly $400 a month in 1997, with subsequent cost-of-living adjustments—yields annual federal budgetary savings of between $2 billion and $3 billion a year after 1997.

These estimates, and other CBO estimates concerning legal aliens, are rife with uncertainties. First, administrative data in all programs are of uncertain quality. Citizenship status is not recorded at all for about 8 percent of SSI recipients, and—as previously noted—some people coded as aliens have certainly become naturalized citizens by now. Second, judging how many more noncitizens will react to the legislation by becoming citizens is difficult. At least 80 percent of legal aliens on SSI have been in the United States for five years or more—the minimum period before they can apply for naturalization. The fact that they have not already become U.S. citizens may stem, in part, from the lack of a strong financial incentive. After all, noncitizens were not barred from most jobs, from most privileges besides voting, or—until now—from eligibility for benefits.

Before they can become U.S. citizens, however, applicants face several hurdles. In particular, they must be able to pass examinations in written and spoken English and in U.S. history and government. The language test is waived for some elderly aliens who have been in the United States for 15 years or more, and a simpler version of the civics test is given to aged immigrants who have been here for at least 20 years; many of the aliens who will be cut from the SSI rolls, however, have not been here that long. The federal government recently issued proposed regulations to exempt certain disabled applicants from parts of the English and civics examinations, as required in a 1994 law; it remains to be seen how important that exemption may prove in practice. Even then, applicants for naturalization may wait a year or two before they are sworn in as citizens—a lag that the Immigration and Naturalization Service is seeking to trim to six months.

The pace of naturalization has recently quickened. More than 1 million petitions for naturalization were filed in both 1995 and 1996, double or triple the pace of earlier years, and approved applications are following with a lag. The reasons for the surge are complicated. Some of the increase might be the result of perceived anti-immigrant sentiment (such as Proposition 187 in California and the restrictions in federal welfare reform on aliens' eligibility for benefits); some is occurring because hundreds of thousands of aliens who benefited from an amnesty in the late 1980s are just now becoming eligible to naturalize; and some probably stems from the fact that many legal aliens were recently required to replace their so-called green cards (at a fee of $75) and found it only slightly more expensive to apply for naturalization ($95). Naturalizations also respond to developments in other countries; Mexico, for example, is contemplating allowing dual citizenship—a change that might encourage many of the estimated 2 million to 3 million Mexican nationals who are legally in the United States to become naturalized. In sum, the number of naturalizations is one of the biggest uncertainties that CBO faced in developing its estimates of welfare reform. Because the naturalization process takes time and effort, CBO assumes that only about one-third of those whose benefits would otherwise be eliminated will become citizens by 2000.

Food Stamps

The act imposes the same curbs on Food Stamp payments to legal aliens as on SSI. Therefore, aliens will not be able to receive food stamps unless they fall into one of the exempted groups—chiefly refugees who have been here for less than five years or aliens with substantial work (defined as 40 quarters) in the United States.

According to Food Stamp Quality Control data, about 1.8 million legal aliens receive Food Stamp benefits. Under prior law, that number would have climbed gradually to 2.0 million in 2002. Around 800,000 fall into one of the exempt categories. The rest will lose benefits unless they become naturalized. Again, CBO assumed that some of the aliens targeted for the cutoff will opt to become citizens, so that by 2002 only 780,000 will lose benefits. Savings of about $0.6 billion to $0.7 billion a year after 1997 will result.[4]

Medicaid

The act does not call for a mass cutoff of aliens from the Medicaid program as it does in the SSI and the Food Stamp programs. Instead, it calls for tight restrictions on the eligibility of future immigrants for Medicaid for at least their first five years in the United States, but it leaves the coverage of most aliens already here to the option of the states.

The act forbids states to provide regular Medicaid coverage to future entrants (except refugees) for their first five years. New deeming requirements in all means-tested programs will bar most future immigrants with financial sponsors from Medicaid for even longer—until they work for 40 quarters or are naturalized. Medicaid coverage for aliens currently residing in the United States will be at the states' option. CBO assumed that states will continue to cover many of those immigrants because the states otherwise lose federal Medicaid matching dollars for the aliens' care. The act preserves Medicaid coverage for emergency medical services for all legal immigrants.

A number of legal immigrants currently residing in the United States will lose Medicaid under the act because they have been eliminated from receiving SSI cash benefits and cannot qualify for Medicaid under any other eligibility category. However, CBO assumed that most aliens who are disabled and about half of the aged will retain Medicaid under states' medically needy programs. In total, CBO assumed

4. The Omnibus Consolidated Appropriations Act delayed until April 1, 1997, the cutoff of Food Stamp benefits for aliens who were participating at the time of enactment.

that nearly 300,000 aliens will lose their eligibility for Medicaid in 1998 (when the reviews of aliens on the SSI program have been completed) and that the number will more than double by 2002. CBO estimated the resulting savings by multiplying the number of people losing benefits times the assumed average benefit times the federal share. That per capita federal cost was assumed to be more than $5,000 in 2002 for an average aged or disabled alien, and between $1,000 and $2,000 for a child or a nondisabled adult. CBO reduced the resulting savings by one-third because the act explicitly continues coverage for emergency medical care for legal aliens and because other services for aliens may be covered through increases in Medicaid's payments for uncompensated care. Total savings in federal Medicaid costs are estimated at $0.1 billion in 1997 and $1.5 billion in 2002.

Other Direct Spending Programs

The foster care program, student loans for postsecondary students, and the child nutrition programs are exempt from any of the restrictions on benefits to legal aliens. Title IV is silent on whether schoolchildren who are illegal aliens are eligible for child nutrition programs. However, section 742 specifically states that the School Breakfast and School Lunch Programs shall continue to be administered without regard to students' immigration or citizenship status. Therefore, no savings will result from restricting aliens' eligibility in any of those programs.

Earned Income Tax Credit

The act denies eligibility for the earned income tax credit (EITC) to workers who are not authorized to be employed in the United States. In practice, that provision will require valid Social Security numbers to be filed for the primary and secondary taxpayers on returns that claim the EITC; it will also permit the Internal Revenue Service to apply the streamlined rules it already uses for mathematical or clerical errors to claims that lack valid Social Security numbers. A similar provision was contained in President Clinton's 1997 budget proposal and in last fall's reconciliation bill. The Joint Committee on Taxation estimates that the provision will reduce the deficit by approximately $0.3 billion a year.

TITLE V: CHILD PROTECTION

Title V extends the enhanced match for purchasing computer equipment to collect data on foster care. The federal match for such purchases was 75 percent through the end of 1996 and was scheduled to decrease to 50 percent beginning in 1997. This provision continues the 75 percent match for one more year, through the end of

1997. CBO estimates that this change increases budget authority by $80 million in 1997 and outlays by $66 million in 1997 and $14 million in 1998 (see Table 5). CBO developed this estimate in consultation with analysts at the Department of Health and Human Services using states' estimates of their expenditures under prior law and expectations of increased spending if the higher match rate was extended.

Title V also appropriates $6 million a year for 1996 through 2002 for a national random sample study of child welfare, increasing direct spending by $37 million over that period.[5] The study will be conducted by the Department of Health and Human Services and will track abused or neglected children as they move through states' child welfare systems.

TITLE VI: CHILD CARE

Title VI creates a new mandatory block grant to states for providing child care to low-income people. Individual states are entitled to the amount they received for AFDC work-related child care, transitional child care, and at-risk child care in 1994, 1995, or the average of 1992-1994, whichever is greatest. States that maintain the higher of their 1994 or 1995 spending on those programs will be able to draw down an additional amount at the Medicaid match rate.

The budget authority for the block grant, as stated in the act, is $2.0 billion in 1997 and $13.9 billion over the 1997-2002 period. Based on discussions with state officials and experts in the field, CBO concluded that states will use most, but not all, of the block grant. CBO estimates that outlays through 2002 will total $12.8 billion (see Table 6).

Although the block grant is more than $4 billion, or nearly 50 percent, higher than what would have been spent on the child care programs it replaced, CBO estimates that states will draw down most of the money. Because federal spending on Temporary Assistance to Needy Families will be capped, states will try to make greater use of the remaining federal programs where additional funding is available. Also, because spending on child care has been popular, many states will have the support needed to increase spending. Finally, the title allows funds to be redistributed to states that have greater needs for child care. Under prior law, several states spent state funds on child care for the working poor that were not matched with federal funds.

5. The Omnibus Consolidated Appropriations Act rescinded the 1996 and 1997 appropriations for this study.